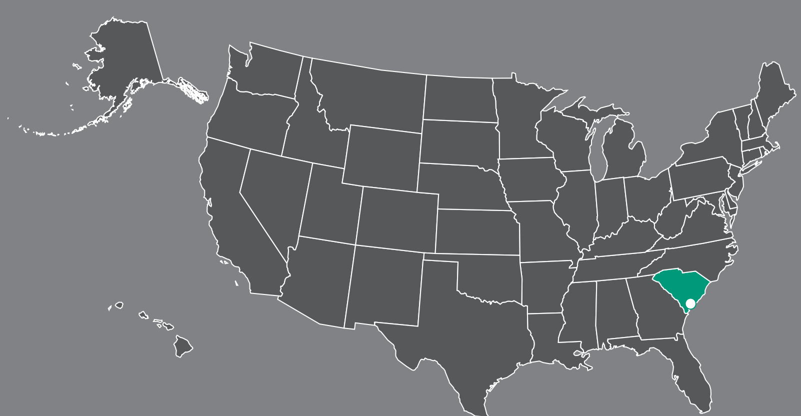
HUD PD&R **Housing Market Profiles**

Charleston-North Charleston, South Carolina

Charleston, South Carolina

Quick Facts About Charleston-North Charleston

- **Current sales market conditions: tight**
- **Current rental market conditions: balanced**
- **Joint Base Charleston has a $6.6 billion economic impact on the Charleston-North Charleston, SC metropolitan area, supporting 47,450 jobs. The estimated 24,200 retirees living near the base add a stable source of demand for nonfarm sectors like leisure and hospitality. The base has 13,100 active-duty and reserve personnel, 9,975 civilian employees and contractors, and 43,400 dependents (Department of Defense).**



By David Kelley | As of April 1, 2022

Overview

The Charleston-North Charleston metropolitan area (hereafter, Charleston metropolitan area) is defined as Charleston, Berkley, and Dorchester Counties in South Carolina and is coterminous with the Charleston-North Charleston, SC Metropolitan Statistical Area (MSA). Located on the Atlantic coast, the popular vacation and retirement area is home to a strong leisure and hospitality payroll sector.

- As of April 1, 2022, the estimated population of the Charleston metropolitan area is 822,300. Despite net in-migration slowing to 8,900 people from 2020 to 2021 due to the COVID-19 pandemic, net in-migration has increased to an estimated average of 10,100 people annually since 2021 (U.S. Census Bureau population estimates as of July 1 and estimates by the analyst). Population growth remains relatively strong but has declined from an average of 2.3-percent growth annually from 2013 to 2016 to 1.5 percent annually since 2021.
- During 2021, net in-migration from high-cost, large metropolitan areas, like the New York metropolitan area, made up approximately 68 percent of net in-migration to the Charleston metropolitan area (Federal Reserve Bank

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of Cleveland; estimates by the analyst). Most of this migration is likely due to retirees and workers taking advantage of increased telework opportunities.

- From 2013 to 2016, net in-migration averaged 12,300 people as economic conditions improved from the Great Recession, compared with an average of 10,150 people annually from 2010 to 2013. Although economic conditions remained strong from 2016 to 2019, growth slowed slightly, and net in-migration returned to an average of 10,100 people annually.
- Net natural increase in the Charleston metropolitan area declined each year from 2014 to 2021 due to an aging population. From 2013 to 2016, net natural increase peaked at an average of 4,075 people annually but declined to an average of 1,200 people from 2020 to 2021.

Economic Conditions

Economic conditions in the Charleston metropolitan area improved during the past year, and nonfarm payrolls have recovered the number of jobs lost during the pandemic. During the first quarter of 2022, nonfarm payrolls in the metropolitan area averaged 377,900, an increase of 16,900 jobs, or 4.7 percent, from the first quarter of 2021, and were 0.7 percent above the average of 375,400 jobs during the first quarter of 2020. This growth is compared with the 3.1-percent and 4.5-percent growth for South Carolina and the nation, respectively, during the first quarter of 2022. Approximately 57,400 nonfarm payroll jobs were lost during March and April of 2020; since then, nonfarm payrolls have increased by 61,100 jobs as of March 2022 (monthly data; not seasonally adjusted). By comparison, the nation has recovered 95 percent of the number of jobs lost during March and April of 2020. The leisure and hospitality sector led the recovery in Charleston. The number of passengers through Charleston International Airport increased by 1.2 percent during the first quarter of 2022 compared with the first quarter of 2019. The professional and business services sector also recovered quickly from the 6,700-job decline during March and April of 2020. Companies like TELUS International, a software development and solutions firm, invested $3.4 million into North Charleston during 2021, with plans to add 1,200 jobs by the end of 2022.

Before the COVID-19 pandemic, nonfarm payroll growth remained strong but began slowing alongside net in-migration. During the 3 months ending February 2020, nonfarm payroll growth averaged 2.0 percent from a year earlier, compared with 3.2 percent during the same period ending in 2019. Despite slowing at the end of the period from 2013 through 2019, nonfarm payroll growth in the Charleston metropolitan area outpaced growth in the region and the nation each year from 2013 through 2019 due to the increases in the manufacturing

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The leisure and hospitality sector in the Charleston metropolitan area has recovered the number of jobs lost during the pandemic and achieved a new high during the first quarter of 2022.

	3 Months Ending		Year-Over-Year Change	
	March 2021 (Thousands)	March 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	361.0	377.9	16.9	4.7
Goods-Producing Sectors	49.2	49.9	0.7	1.4
Mining, Logging, & Construction	21.1	21.5	0.4	1.9
Manufacturing	28.0	28.3	0.3	1.1
Service-Providing Sectors	311.9	328.0	16.1	5.2
Wholesale & Retail Trade	51.9	52.3	0.4	0.8
Transportation & Utilities	15.4	16.2	0.8	5.2
Information	6.8	7.4	0.6	8.8
Financial Activities	16.0	16.5	0.5	3.1
Professional & Business Services	56.2	57.9	1.7	3.0
Education & Health Services	42.6	43.1	0.5	1.2
Leisure & Hospitality	41.8	49.8	8.0	19.1
Other Services	14.5	15.1	0.6	4.1
Government	66.6	69.8	3.2	4.8
Unemployment Rate	4.4%	3.2%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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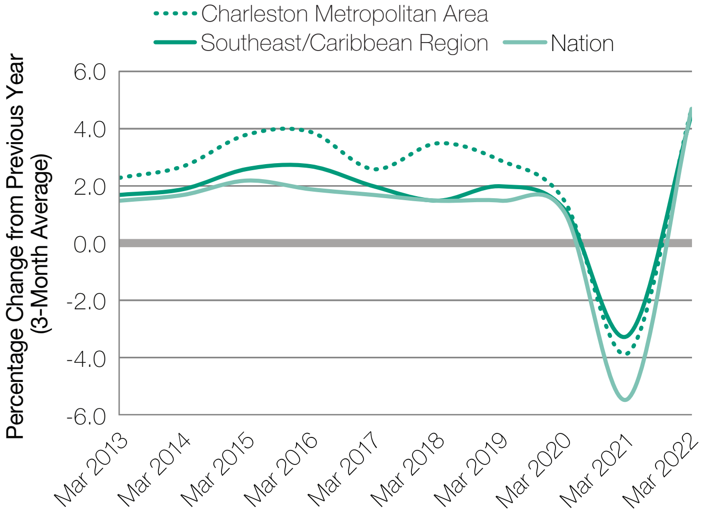
sector, the professional and business services sector, and the leisure and hospitality sector. During this period, nonfarm payroll growth averaged 3.0 percent annually versus 1.8 percent for the region and 1.7 percent for the nation. The professional and business services sector and the leisure and hospitality sector added the most jobs during this period and grew by averages of 3.6 and 4.2 percent annually, respectively. Growth in the professional and business services sector was strong during this period partly due to an increase in the computer systems design and related services industry. From 2014 through 2019, this industry increased by an average of 475 jobs, or 9.0 percent, annually. Demand for jobs in this industry is supported by aerospace companies, like The Boeing Company, which expanded operations throughout the period. From 2013 through 2019, nonfarm payrolls in the manufacturing sector increased by 900 jobs, or 3.5 percent, annually. The leisure and hospitality sector growth during the 2013-through-2019 period was due to an increase in retirees and a 7.7-percent annual increase in tourists (Charleston County Economic Development Department).

During the first quarter of 2022—

- The leisure and hospitality sector, the hardest hit sector during the recent recession, led job growth, increasing by 8,000 jobs, or 19.1 percent, compared with a year earlier. The number of jobs in this sector is 700 above the average of 49,100 jobs during the first quarter of 2020. This strong recovery comes after losing 24,400 jobs during March and April of 2020 (monthly data; not seasonally adjusted).
- The professional and business services sector increased by 1,700 jobs, or 3.0 percent, compared with a year earlier. T-Mobile US, Inc. began expanding operations at their Customer Care Center during the second quarter of 2021 and planned to add 540 jobs once positions were filled.
- The government sector was the largest sector in the Charleston metropolitan area and increased by 3,200 jobs, or 4.8 percent, compared with the same period in 2021. All of the gain during this period was from the state government subsector, which increased by 3,200 jobs, or 11.8 percent.
- The unemployment rate averaged 3.2 percent, down from 4.4 percent a year earlier, higher than the 2.7-percent rate during the same period in 2020, when the labor market was tight. Strong gains in resident employment outpaced growth in the labor force, contributing to the declining unemployment rate.

The economic impact of the COVID-19 pandemic on the tourism industry was significant, causing the number of tourists

Nonfarm payroll growth in the Charleston metropolitan area far outpaced growth in the Southeast/Caribbean Region and the nation previous to the COVID-19 pandemic and is currently similar to the state and the nation.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Charleston Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Joint Base Charleston	Government	23,075
Medical University of South Carolina	Government	17,000
Roper St. Francis Healthcare	Education & Health Services	6,000

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.
Sources: Charleston Regional Development Alliance; Department of Defense

to decline to slightly more than 5.00 million visitors during 2020 compared with 7.43 million visitors in 2019. The economic impact of the tourism industry totaled nearly $10 billion in 2019 and declined to $6.2 billion during 2020. Tourism has recovered strongly from the effects of the pandemic; the number of visitors increased to 7.23 million, with an economic impact of $10.62 billion during 2021. The return of tourists is reflected in the strong recovery of the leisure and hospitality nonfarm sector compared with the nation. Nationally, the leisure and hospitality sector has not recovered completely from the COVID-19 pandemic and remains 8.4 percent below the level during the first quarter of 2020.

Sales Market Conditions

The sales market in the Charleston metropolitan area is currently tight, with an estimated vacancy rate of 0.9 percent as of April 1, 2022, down from 3.0 percent during April 2010, when the market was soft. Following the Great Recession, existing home prices began to increase around the middle of 2012 and have increased each year since then. From 2013 through 2019, existing home sales prices increased by an average of nearly 4 percent annually, whereas new home sales prices increased 7 percent annually (CoreLogic, Inc.). In response to the most recent recession, interest rates declined in the second half of 2021 and put upward pressure on home prices due to an increase in demand, and the supply of homes for sale declined.

- During March 2020, the supply of homes for sale declined to 1.5 months, compared with 1.9 months a year earlier and 4.0 months during the same period in 2020 (Redfin, a national real estate brokerage). The sharp increase in demand for homes has outpaced construction levels since 2020, but increasing interest rates since mid-2021 have eased pressure on sales and prices.
- During the 12 months ending March 2022, existing home sales totaled 22,400, unchanged from the previous year. Existing home sales increased 19 percent during the 12 months ending March 2021 (CoreLogic, Inc.). Existing home sales price growth has also slowed with increasing interest rates, rising 11 percent to $465,300 compared with a 22-percent gain the previous year.
- During the 12 months ending March 2022, new home sales also remained unchanged, at 5,100, compared with a 14-percent increase a year earlier. The average price increased 19 percent during the 12 months ending March 2022 to $453,600, compared with 3 percent a year earlier, but new home sales price growth is also beginning to slow.
- In March 2022, 1.5 percent of home loans in the Charleston metropolitan area were seriously delinquent or transitioned into real estate owned (REO) status; this fell from 3.7 percent a year earlier, similar to the state and the nation, at 1.6 and 1.5 percent, respectively.

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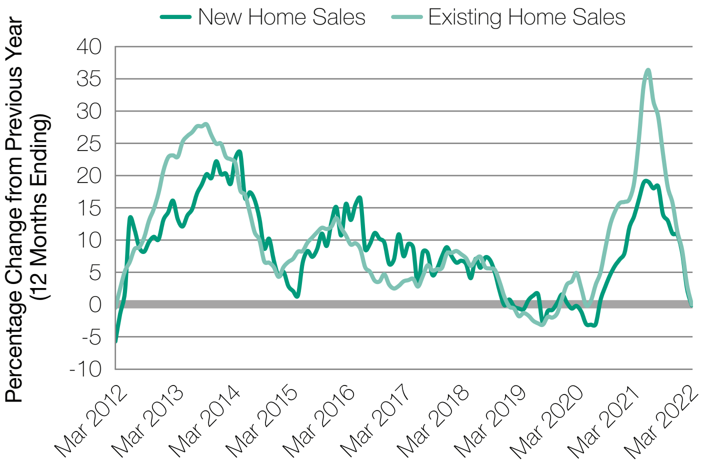
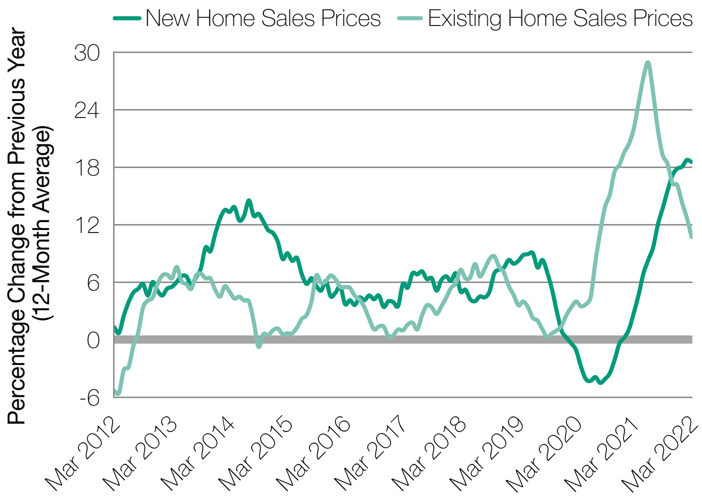
New and existing home sales growth in the Charleston metropolitan area slowed significantly since mid-2021.



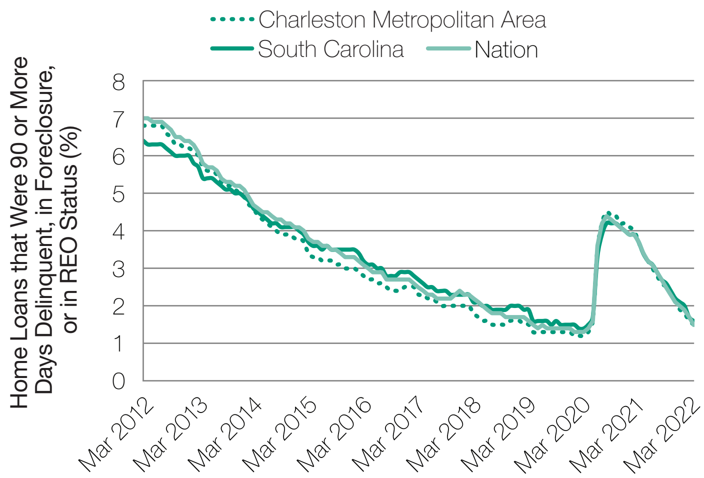
Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Existing home sales price growth in the Charleston metropolitan area has slowed since mid-2021 as interest rates increased.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

The rate of seriously delinquent home loans and REO properties has declined significantly in the Charleston metropolitan area since increasing during the pandemic.



REO = real estate owned.
Source: CoreLogic, Inc.

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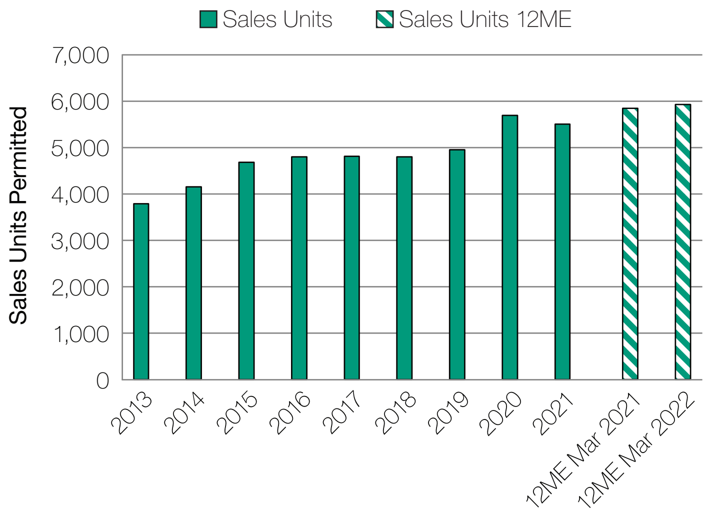
Strong population and economic growth after the Great Recession led to increased housing demand and an acceleration in building activity, as measured by the number of sales units permitted, from 2013 through 2015. New homebuilding remained relatively stable from 2016 through 2019, but during 2020 and 2021, increased demand for homes caused the number of sales units permitted to increase to an average of 5,600 units.

- Sales units permitted during the 12 months ending March 2022 totaled 5,925, a slight increase from the 5,850 sales units permitted during the same period a year earlier (preliminary data and estimates by the analyst).
- From 2013 through 2015, the number of sales units permitted increased from 3,775 to 4,675, concurrent with population growth and an expanding economy. As job and population growth slowed, the number of sales units permitted remained relatively flat, averaging 4,825 homes from 2016 through 2019.
- Nexton is the largest community under development in the Charleston metropolitan area, with more than 6,500 single-family homes planned across 5,000 acres during the next 7 years. Most homes have been priced between $300,000 and $500,000. Approximately 2,000 units have been sold, with 1,800 built and an additional 250 under construction.

Permitting of sales units in the Charleston metropolitan area increased during 2020 and remains relatively high compared with the previous decade.



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental Market Conditions

Overall rental market conditions in the Charleston metropolitan area are balanced, with an estimated vacancy rate of 6.5 percent, down from 13.9 percent in 2010, when conditions were soft. Apartment market conditions in the Charleston metropolitan area are also balanced, an improvement from the soft conditions that started in 2016 and continued until recently. Population growth slowed in 2016, and the number of rental units permitted tripled, leading to a large increase in the apartment vacancy rate. From the first quarter of 2016 through the first quarter of 2018, the apartment market vacancy rate increased from 8.2 to 13.3 percent (CoStar Group).

- During the first quarter of 2022, the apartment vacancy rate declined from 9.0 percent a year ago to 7.7 percent, the lowest rate since the first quarter of 2015. Increases in home prices likely contributed to an increase in rental demand since 2020, causing vacancy rates to decline.
- During the first quarter of 2022, the average apartment rent increased 17 percent to $1,557 compared with a year earlier. Although demand put upward pressure on rents during the past 2 years, the rising cost of operating apartments has also contributed to an increase in rents.
- During 2019, approximately 10 percent of veterans and active-duty military members lived in group quarters, likely on-base (IPUMS USA, 2019 American Community Survey [ACS] 1-year estimates). The remaining veterans and active-duty military made up an estimated 11 percent of all renter households in the Charleston metropolitan area. The median rent paid by veterans and active-duty military members was $1,400, compared with the median rent for the remainder of the Charleston metropolitan area of $1,216 (IPUMS USA, 2019 ACS 1-year estimates).
- Single-family home rentals made up 26 percent of the occupied rental inventory as of 2019, in line with the nation (2019 ACS 1-year data). During March 2022, the average single-family home rent increased 7 percent compared with a year earlier to $1,705 (John Burns Real Estate Consulting). Investment properties purchased in the Charleston metropolitan area increased from 16 percent of total sales during the fourth quarter of 2020 to 20 percent during the fourth quarter of 2021.

The number of rental units permitted was elevated during 2016 and 2017, causing an increase in vacancy rates and a slowdown

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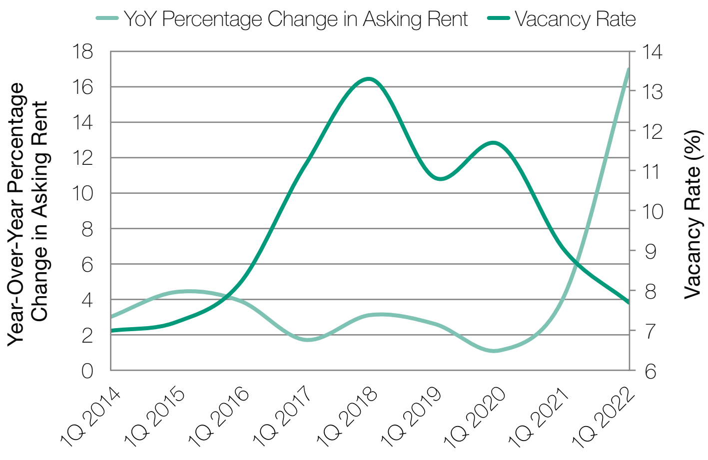
in permitting activity in 2018. Subsequently, the number of rental units permitted increased again in 2019, causing another increase in vacancy rates by the first quarter of 2020.

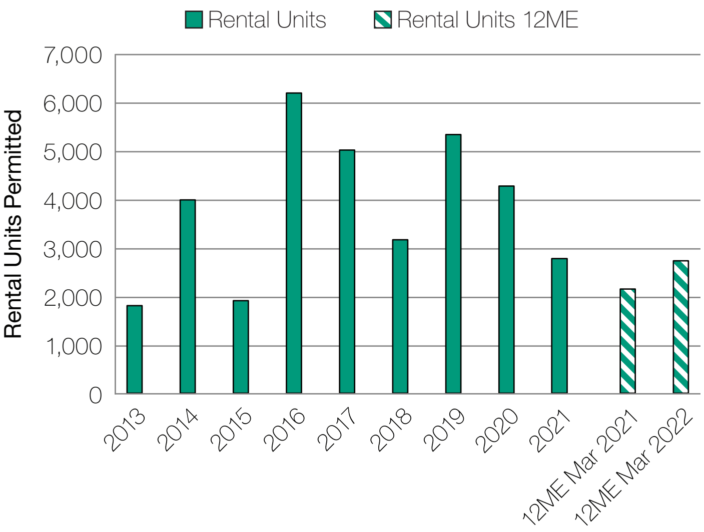
- During the 12 months ending March 2022, rental units permitted totaled 2,750, an increase of 28 percent from a year earlier (preliminary data and estimates by the analyst).
- During 2018, the number of rental units permitted declined by 37 percent to 3,175 units in response to rising vacancy rates from the elevated construction levels in 2016 and 2017. The reduced construction caused vacancy rates to decline during 2019; the number of rental units permitted increased 69 percent to 5,350 units.
- The number of rental units permitted increased during 2016 and averaged 5,625 units annually through 2017, a sharp increase from the average of 2,575 rental units permitted from 2013 through 2015.
- Many rental units under construction are grouped in the Nexton mixed-use development in Summerville. The Murray, Solis Nexton, and The Villas are under construction, totaling 947 units. The Murray has 345 units with rents ranging from $2,027 for 728 square feet to $3,001 for 1,513 square feet. Solis Nexton offers 320 units, with rents ranging from $1,370 for 719 square feet to $2,165 for 1,263 square feet. The Villas, with 282 units, offers single-family homes built to rent. The rents and sizes range from $1,520 for 576 square feet with one bedroom to $2,700 for 1,440 square feet with three bedrooms.

Rent growth in the Charleston metropolitan area increased significantly during the past year, and the vacancy rate has declined each year since 2020.



1Q = first quarter. YoY = year-over-year.
Source: CoStar Group

Rental permitting in the Charleston metropolitan area increased during the past 12 months but is much lower than levels during the 2016-through-2019 period.



12ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Home Loans	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.